

Message Text

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64

ACTION EUR-25

INFO OCT-01 EA-11 ADP-00 AID-20 CIAE-00 COME-00 EB-11

FRB-02 INR-10 NSAE-00 RSC-01 TRSE-00 XMB-07 OPIC-12

CIEP-02 LAB-06 SIL-01 OMB-01 NSC-10 SS-15 STR-08

CEA-02 L-03 H-02 IGA-02 ABF-01 RSR-01 /154 W

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R 171720 Z APR 73

FM AMEMBASSY ROME

TO SECSTATE WASHDC 8345

INFO AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY HELSINKI

AMEMBASSY LONDON

AMEMBASSY LUXEMBOURG

AMEMBASSY OSLO

AMEMBASSY PARIS

AMEMBASSY STOCKHOLM

AMEMBASSY THE HAGUE

AMEMBASSY TOKYO

AMEMBASSY CANBERRA

C O N F I D E N T I A L ROME 3059

E. O. 11652: GDS

TAGS: EFIN, IT

SUBJECT: MOVES TO COUNTER DOLLAR DEVALUATION (C- ER-3-57235)

REF: A. ROME A-204 OF APRIL 6, 1973; B. ROME A 785

OF DECEMBER 29, 1972

1. NEITHER GOI NOR ITALIAN BUSINESS HAS TAKEN DIRECT
COUNTER MEASURES AS RESULT OF CURRENT REALIGNMENT.
FLOATING OF COMMERCIAL LIRA (ESPECIALLY BREAKING OF TIES
WITH STRONGER EC CURRENCIES) AT TIME
OF DOLLAR DEVALUATION WAS CONSIDERED MOST EFFECTIVE
MEASURE TO PROTECT DOMESTIC ECONOMY AND ITALIAN EXPORTS
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FROM ADVERSE IMPACT. IN FACT, SINCE APRIL 2, COMMERCIAL LIRA HAS DEPRECIATED FROM OLD SMITHSONIAN PAR OF 581.50, RESULTING IN EFFECTIVE REVALUATION OF DOLLAR AGAINST LIRA.

2. NEW LAW PROVIDING EXCHANGE RISK INSURANCE FOR MEDIUM- AND LONG- TERM EXPORT CREDIT OBLIGATIONS WENT INTO EFFECT RECENTLY (SEE REF A). ALTHOUGH LAW WAS PROPOSED AT END OF 1972, I. E., BEFORE SECOND DOLLAR DEVALUATION, LATEST CURRENCY CRISIS MAY HAVE STIMULATED PARLIAMENT TO ACT MORE PROMPTLY IN PASSING IT THAN WOULD OTHERWISE HAVE BEEN TRUE. IN ANY CASE, ITALY WAS MERELY ADOPTING GUARANTEE FACILITY WHICH ALREADY EXISTS IN OTHER EC COUNTRIES.

3. BECAUSE OF EFFECTIVE DEVALUATION OF LIRA AGAINST OTHER EC CURRENCIES, AND EVEN SLIGHTLY AGAINST DOLLAR, THERE IS NO NEW MOTIVATION FOR SPECIAL ITALIAN EXPORT PROMOTION EFFORT. SEE REF B FOR DESCRIPTION OF REGULAR 1973 EXPORT PROMOTION PROGRAM. BEAUDRY

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*** Current Handling Restrictions *** n/a

*** Current Classification *** CONFIDENTIAL

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: n/a
Control Number: n/a
Copy: SINGLE
Draft Date: 17 APR 1973
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: boyleja
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1973ROME03059
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GDS
Errors: n/a
Film Number: n/a
From: ROME
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1973/newtext/t19730445/aaaaiqna.tel
Line Count: 87
Locator: TEXT ON-LINE
Office: ACTION EUR
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators:
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: 73 .ROME A-204, 72.ROME A 785
Review Action: RELEASED, APPROVED
Review Authority: boyleja
Review Comment: n/a
Review Content Flags:
Review Date: 06 AUG 2001
Review Event:
Review Exemptions: n/a
Review History: RELEASED <06-Aug-2001 by shawdg>; APPROVED <06-Sep-2001 by boyleja>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: <DBA CORRECTED> jms 980122
Subject: MOVES TO COUNTER DOLLAR DEVALUATION (C- ER-3-57235)
TAGS: EFIN, IT
To: BONN
BRUSSELS
COPENHAGEN
EUR
HELSINKI
LONDON
LUXEMBOURG

OSLO
SECSTATE WASHDC

Type: TE

Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005